

Message Text

SECRET

PAGE 01 CAIRO 02715 01 OF 02 012240Z

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

----- 079018

O 011356Z MAR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 552

INFO AMEMBASSY ABU DHABI

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMCONSUL JERUSALEM IMMEDIATE

AMEMBASSY KUWAIT

AMEMBASSY TEL AVIV IMMEDIATE

S E C R E T SECTION 1 OF 2 CAIRO 2715

EXDIS

(C O R R E C T E D C O P Y P A R A 3)

JERUSALEM AND TEL AVIV FOR SECRETARY SIMON

DEPARTMENT PASS TREASURY

E.O. 11652: GDS

TAGS: PFOR ECON EG XF

SUBJECT: FAHY ON SADAT'S SAUDI ARABIAN AND GULF TRIP

1. I MET WITH FAHMY THIS MORNING JUST BEFORE HE LEFT FOR THE AIRPORT TO GREET VISITING YAR PRESIDENT HAMD. HE HAD RETURNED ONLY YESTERDAY FROM PRESIDENT SADAT'S SWING THROUGH SAUDI ARABIA AND THE GULF STATES. CONTRARY TO THE FEELINGS EXPRESSED BY VARIOUS SENIOR GOE OFFICIALS IMMEDIATELY AFTER THE SAUDI STOP (CAIRO 2663), FAHMY EXPRESSED HIS SATISFACTION WITH THE TRIP. IT HAD, HE CLAIMED, ACHIEVED EGYPTIAN OBJECTIVES. IN ADDITION TO AGREEMENT TO ESTABLISH ON ARAB-EGYPTIAN INVESTMENT FUND, JUST OVER \$1 BILLION HAD BEEN OBTAINED IN CASH GIFTS.

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PAGE 02 CAIRO 02715 01 OF 02 012240Z

2. PURPOSES: SADAT TRIP, ACCORDING TO FAHMY, HAD TWO PRINCIPAL AIMS. FIRST, TO OBTAIN SAUDI AND GULF LEADERS' SUPPORT FOR SADAT'S POLITICAL POLICIES IN THE PERIOD AHEAD; SECOND, TO EXPLAIN EGYPT'S ECONOMIC SITUATION AND OBTAIN FINANCIAL SUPPORT.

3. POLITICAL: SADAT AND HE HAD LAID OUT FOR ALL OF THE ARAB LEADERS ON THEIR ITINERARY WHAT GOE POLICIES AND GOALS ARE. THEY HAD STRESSED THAT, CONTRARY TO SYRIAN CHARGES, SINAI II DOES NOT MEAN EGYPT HAS DESERTED ARAB RANKS OR PLANS TO DO SO. IN PURSUING PEACE POLICY, SADAT ASSURED HIS ARAB INTERLOCUTORS THAT HE HAS IN MIND THE WITHDRAWAL OF ISRAELIS FORCES FROM ALL OCCUPIED ARAB TERRITORIES AND THE RESTORATION OF PALESTINIAN RIGHTS. HE HAD SPOKEN OF A PALESTINIAN STATE IN THE WEST BANK AND GAZA, BUT, I GATHER FROM FAHMY, THE MATTER OF JERUSALEM WAS LEFT SOMEWHAT FUZZY. SADAT HAD GONE OUT OF HIS WAY TO PRAISE THE USG, PRESIDENT FORD AND SECRETARY KISSINGER FOR THEIR PAST AND CONTINUING EFFORTS TO FURTHER THE PEACE PROCESS. (FAHMY CONTENDED THAT SADAT MAY EVEN HAVE OVERDONE THIS A BIT.) USG HAS PROVEN ITS GENUINE INTEREST IN WORKING WITH ARABS AND ISRAELIS TO ARRIVE AT A JUST AND HONORABLE SETTLEMENT. HE HAD IN THE PAST REPEATEDLY URGED THAT USG ESTABLISH A DIALOGUE WITH PLO AND, WHILE HE HAD NOT HAD MUCH SUCCESS TO DATE ON THIS SCORE, HE WOULD CONTINUE HIS EFFORTS. ALREADY, HOWEVER, RECENT USG STATEMENTS AND ACTIONS SHOWED A GREATER RECOGNITION OF THE NEED TO TAKE INTO ACCOUNT PALESTINIAN "RIGHTS."

4. CURRENT EGYPTIAN-SYRIAN STRAINS HAD BEEN TOUCHED UPON ONLY LIGHTLY. FAHMY CLAIMED THAT PRINCE FAHD, PRIOR TO SADAT'S VISIT TO SAUDI ARABIA, HAD OFFERED TO MEDIATE BETWEEN ASAD AND SADAT AND HAD SENT A MESSAGE TO ASAD TO THAT EFFECT. IN REPLY, ASAD HAS SENT A "MEMORANDUM," THE FIRST POINT OF WHICH DEMANDED THAT SADAT ABROGATE SINAI II. RECOGNIZING THAT THIS WAS A NON-STARTER, THE SAUDIS HAD NOT EVEN PRESENTED THE "MEMORANDUM,"

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PAGE 03 CAIRO 02715 01 OF 02 012240Z

ALTHOUGH EGYPTIANS HAD GOTTEN A COPY FROM OTHER SOURCES.

5. THE SAUDI AND ALL OF THE GULF LEADERS, FAHMY ASSERTED, HAD FULLY SUPPORTED SADAT'S POLITICAL OBJECTIVES AS EXPLAINED TO THEM. THEY HAD TALKED A GREAT DEAL ABOUT EGYPT BEING THE LEADER OF THE ARAB WORLD -- "MOTHER EGYPT" -- AND HAD GIVEN OTHER ORAL EXPRESSIONS OF THEIR CONVICTION THAT GOE HAS NOT

RENOUNCED ITS CONCERNS FOR ARAB RIGHTS. REPEATEDLY, HOWEVER, SADAT HAD BEEN URGED TO "DO SOMETHING FOR SYRIA." THE PRESIDENT HAD INDICATED HIS LONG-STANDING DESIRE TO DO SO AND POINTED OUT THAT IT WAS THE SYRIANS WHO HAVE STEADFASTLY REFUSED TO COOPERATE WITH USG OFFERS TO HELP IN VARIOUS WAYS. FAHMY THOUGHT THAT THE SAUDI AND GULF LEADERS NOW RECOGNIZE, PERHAPS MORE THAN BEFORE, THAT SYRIAN INTRANSIGENCE HAS PREVENTED PROGRESS ON THE GOLAN FRONT. THE PRESIDENT HAD INDICATED IT IS UP TO ASAD TO DECIDE WHETHER OR NOT HE WANTS A FURTHER GOLAN DISENGAGEMENT AGREEMENT OR TO GO TO GENEVA. HOWEVER, IF ASAD REFUSES TO DO SO FOR WHATEVER REASONS, GOE CANNOT BE BLAMED FOR STALEMATE.

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PAGE 01 CAIRO 02715 02 OF 02 011517Z

43

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S E C R E T SECTION 2 OF 2 CAIRO 2715

EXDIS

JERUSALEM AND TEL AVIV FOR SECRETRY SIMON

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6. ECONOMIC: THREE IMPORTANT ECONOMIC DECISIONS HAD BEEN TAKEN:

A) FIRST, IT WAS AGREED BY THE SAUDIS AND ALL

OF THE GULF LEADERS THAT UPHOLDING THE EGYPTIAN ECONOMY IS A COLLECTIVE RESPONSIBILITY OF ALL OF THE ARAB STATES.

B) SECOND, IN ORDER TO ASSIST IN EGYPT'S LONG-TERM (10-YEAR) ECONOMIC DEVELOPMENT, AN ARAB-EGYPTIAN INVESTMENT FUND WILL BE ESTABLISHED TO WHICH ALL OF THE GULF STATES AND SAUDI ARABIA WILL CONTRIBUTE. IN FACT, SAUDI FOMIN HAD ALREADY LAID ADVANCE GROUNDWORK WITH GULF RULERS. ACCORDING TO FAHMY, ULTIMATE CAPITALIZATION OF THIS FUND IS YET TO BE DETERMINED, BUT AN INITIAL CAPITALIZATION OF \$2 BILLION WAS AGREED UPON. FINANCE MINISTERS OF SAUDI ARABIA, GULF STATES AND EGYPT WILL MEET IN NEXT WEEK OR SO TO DETERMINE SECRET

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PAGE 02 CAIRO 02715 02 OF 02 011517Z

MODALITIES. TWENTY-FIVE PERCENT OF INITIAL CAPITALIZATION, I.E. \$500 MILLION, WILL BE MADE AVAILABLE TO EGYPT AS SOON AS THE FUND IS ESTABLISHED. FAHMY WAS A BIT UNCLEAR WHETHER THESE FUNDS WOULD BE AVAILABLE THIS YEAR AND ALSO WHETHER IT IS INTENDED THAT THEY BE USED FOR PROJECT OR PROGRAM PURPOSES OR BOTH. QATARI SHEIKH HAD TOLD SADAT HE WILL PRESS THAT TERMS ON WHICH EGYPT CAN DRAW FROM THIS INVESTMENT FUND BE CONCESSIONARY, I.E., FIVE-YEAR GRACE PERIOD, NOMINAL INTEREST RATE AND 15-YEAR REPAYMENT.

C) THIRD, SOME \$750 MILLION IN CASH GRANTS TO GOE TO MEET ITS IMMEDIATE REQUIREMENTS HAD BEEN OBTAINED. CONTRIBUTIONS BREAKDOWN AS FOLLOWS: SAUDI ARABIA -- \$300 MILLION; KUWAIT -- \$200 MILLION; ABU DHABI -- \$150 MILLION; QATAR -- \$75 MILLION. THESE FUNDS ARE EXPECTED TO BE MADE AVAILABLE IN NEXT FEW DAYS. APART FROM SADUI FIGURE, IT HAD BEEN DECIDED NOT TO PUBLICIZE THE OTHER CONTRIBUTIONS LEST THE SYRIANS SEIZE UPON THIS TO MAKE APPROACHES FOR SIMILAR CONTRIBUTIONS.

7. FINALLY, WHILE IN ABU DHABI, IT HAD BEEN DISCOVERED THAT GOE HAD NOT RPT NOT DRAWN A \$300 MILLION GRANT MADE BY SHEIKH ZAYED AT AN EARLIER UNSPECIFIED DATE. THIS MONEY IS STILL AVAILABLE. NEITHER THE PRESIDENT NOR FAHMY HAD KNOWN ABOUT IT, BUT FAHMY CLAIMED PREVIOUS PRIMINS (ESPECIALLY HEGAZY) AND FINANCE MINS CARELESSLY NEGLECTED TO DRAW THESE FUNDS. THESE FUNDS, TOO, WILL BE MADE AVAILABLE IN NEAR FUTURE.

8. COMMENT: ABOVE IS FAHMY'S VERSION OF POLITICAL AND ECONOMIC RESULTS OF SADAT'S TRIP. IF IT IS CORRECT, SADAT'S TRIP SEEMS TO HAVE PRODUCED A REASONABLE CASH INFUSION INTO THE FALTERING EGYPTIAN ECONOMY.

WE OULD APPRECIATE ANY COMMENTS ADDRESSEE POSTS MAY BE
ABLE TO OFFER ON CORRECTNESS OF FAHMY'S ACCOUNT.
EILTS

NOTE BY OC/T: NOT PASSED TREASURY.

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PAGE 03 CAIRO 02715 02 OF 02 011517Z

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